



Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at <http://about.jstor.org/participate-jstor/individuals/early-journal-content>.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact support@jstor.org.

RECONSTRUCTION PROBLEMS IN MEXICO

By E. D. Trowbridge, General Manager of the Mexico Company; formerly General Manager, Mexican Light and Power Company, Mexico City

The recent turn-over in Mexico could scarcely be termed a revolution. It represents a revolt, within the same party, of a large faction which insists on a more progressive government, demands speedy pacification of the country and aims at more cordial relations with other countries. The turn-over is so recent that there has scarcely been time to even formulate a regular program.

The change was a quick one, practically all the important military units going over to the new movement. The government, while of a provisional character pending elections, may be considered a continuation of the liberal or revolutionary government of Carranza. While the new leaders are committed to certain reforms and to a more friendly attitude toward foreign capital, the problems with which the government has to deal have not changed. These problems are largely based on economic and social conditions. To understand them it is necessary to briefly review conditions prevailing in Mexico prior to the Madero revolution, and to outline the course of events during the past decade.

During the centuries of Spanish rule the Mexican Indian was, in most respects, a slave. Independence brought little improvement in his position, as independence brought nothing of democracy with it. Half a century of misrule by selfish and unscrupulous dictators was followed by a certain effort under Benito Juarez to improve the situation. Then came the French occupation, and the ambitious empire of Maximilian, followed by a long period of disorder and depression. Under Porfirio Diaz the country was pacified, public credit established, railways built and industry developed, but little was done for the mass of the people.

The scheme of government was a highly organized machine run by a few men, and in many respects, run for the benefit of the land-owning class. Eighty per cent of the population was illiterate and ignorant. There was nothing in the way of political education.

With the growth of a middle class, and the development of more liberal ideas, particularly in the north, came demands for reforms and for correction of abuses which had crept into the government. When the Madero revolution, laughed at in the beginning, swept over the country, the mass of ignorant people furnished the background for all sorts of disorder. The ignorant peon, easily led by eager and often unscrupulous leaders, knew no distinction between liberty and license. He was willing to loot, and was glad to wreak vengeance on those whom he considered as his oppressors. In a pure spirit of vengeance he burned crops, wrecked buildings, killed or drove off cattle, and, in general, put an end to production on the vast estates. When the peon, after his outburst of passion, wanted to go back to work, there was no work to be had. Moreover, with a partial suspension of production, food stuffs went up in price. The peon then quite naturally turned bandit. A score or more men, acting in a band, could raid a big rural estate or village, obtain loot and foodstuffs, and move on. After the reactionary movement under Huerta and his downfall, there followed a period of chaos, with Carranza who represented the majority of the Madero following, fighting for the control of the country against Villa, Zapata, Felix Diaz and other leaders who sometimes acted independently and sometimes together. Through 1914, 1915 and 1916, civil war swept over the country. The national capital changed hands eight times. Industry stopped, farm production ceased, railways were wholly or partially closed down, banks suspended, the currency was demoralized, people starved to death, there were serious epidemics of typhus, and, in general, a condition approaching anarchy prevailed.

Under the conditions it was inevitable that numerous local bands should be formed who proceeded to dominate

certain sections of the territory. Frequently these bands had the backing of rural property owners, who, by contributing to their support, could be assured of protection against other bands or against the incursions of the leading factions fighting for supremacy. These bands gave their support to Villa, Zapata, Feliz Diaz, Pelaez or other leaders, as the case might be, and in return were left in control of their own particular districts. They levied more or less irregular contributions from towns, villages and rural estates, and for a time were the substitute for any regularly constituted authority.

There are several phases of the matter to be considered. Brigandage at first was profitable, but gradually, as everything portable or salable disappeared from rural estates, the attraction in the life disappeared. In the confusion and disorder most of the owners of farms, ranches or estates had abandoned their properties, resulting, in many sections, in a complete suspension of production. The bandit then became half-farmer, half-bandit, scratching the earth to plant a little corn one day and roaming the country in search of plunder the next. Many who have been enjoying this life will not want to go back to peaceful pursuits, and the hardier characters will continue to give trouble until exterminated or compelled by thorough patrolling of the country to live orderly lives. For the majority of the bandits their roaming will cease by a process of sheer exhaustion. The government control of the railways, cities and towns has become, generally speaking, strong enough to make raids of any size out of the question. There is nothing left on rural estates. The bandits are beginning to realize that if crops are not grown they themselves will starve. Many of them are begging for the resumption of work on properties which they themselves helped wreck only a short time ago. Naturally every property put back in production will automatically cut down the amount of lawlessness. Many properties which were entirely abandoned for three or four years are again producing crops.

This resumption, coupled with abundant rains this year has reduced the price of corn, the staple of the country,

from \$2.50 per bushel a year ago to a price of \$1.10 per bushel, throughout central Mexico. Naturally, the drop in the price of corn will improve general conditions, through reduction in living costs.

In some sections everything is ready for a full resumption of agricultural activity, but there are many practical obstacles in the way. The greatest of these is the lack of money. Rural properties were stripped of everything portable—livestock needed for farm work was long ago driven off. Owners of properties have had no income and have nothing to start up with, either for re-equipping their properties or paying their labor until they can get return from crops. In the state of Morelos, for example, the great sugar estates lie helpless. Grinding mills and machinery were wrecked, and cane lands burned over. Fine estates, watered by elaborate irrigation systems, are producing nothing for the sole reason that there is no money available.

The upheaval in Mexico wrecked the banking system, and the banks, which are closed or are doing only a foreign exchange business, have no money to lend. The government has bought a considerable amount of farm machinery which it proposes to sell to farmers on time. While this will help somewhat, it is only a drop in the bucket.

The question of full resumption of work on the large Mexican estates is closely related to the general agrarian problem in Mexico. Under the Spanish rule great grants of land were made to court favorites, or were given as rewards for campaigns of conquest. These estates have, in many cases, passed down intact to present holders. The church acquired great estates, and many of these, passing into private hands, formed the basis of immense holdings.

The estate owners were the only people of wealth, and the tendency was for them to keep adding to their properties. In the past century the number of individual holdings has been cut in two. Ninety-six large estates are credited with 120,000,000 acres of land, or an average of nearly two thousand square miles each. Six thousand properties represent a total of 300,000,000 acres of land. It is self-evident that such a condition was calculated to keep the mass

of the people in practical slavery, to keep down wages, and to curtail production.

Much has been written by Mexican reformers on the agrarian question, and there has been a general demand for breaking up these vast properties. The reformers generally ignore the fact that the mere breaking up of the properties will not result in anything. The main difficulty is not agrarian but social. The average peon, turned loose on a piece of land, would starve to death. He has received, for four hundred years, wages which rarely exceeded seventy-five centavos, or thirty-seven cents. He has had to support his family on this. It goes without saying that he has no savings. He can not buy the simplest implements, and he has nothing to live on until harvest time, even if he did manage to get a crop planted. He must, by force of circumstances, work for someone else. Besides, while he labors well under the direction of an administrator, he knows little or nothing of farming, and would, in nine cases out of ten, be at a complete loss if placed on his own resources. He has no outlook, no hope, no vision. If he has a blanket and can get enough food to keep body and soul together he is content. His family is incidental, and he gives them food until they can shift for themselves.

But he is likeable, docile and apt, and a good, faithful worker so long as he needs work, but he does not care a hang for tomorrow. His nature is not going to be changed by the adoption of reform laws or new agrarian schemes. There are a great many of him to educate and to develop to the point where he will have some idea of the responsibilities of life and citizenship. This will take time.

Meanwhile the reformers, in their anxiety to aid the peon, have unconsciously placed obstacles in the way of his getting back to work. The constitution of 1917, while theoretically defensible in most respects, was so strongly anti-capitalistic in three or four features as to arouse the general hostility of organized capital, thereby greatly reducing the chances of securing the money necessary for reconstruction purposes. The assembly which adopted the constitution was extremely radical, and went on the theory that the way

to reform is to reform, without considering whether the reforms proposed were so drastic as to defeat their own ends. Many of those who favored extreme measures now realize that modifications must be made, and various government commissions are studying the questions involved.

Mexico, in point of natural progress, was behind other nations, and her form of autocratic government was out of keeping with modern ideas. The immediate effect of the revolution was to upset violently the economic equilibrium of the country and to produce a state of chaos. Then came the stage of re-establishing the regular authority, return to a metal currency basis, and a resumption of normal industrial activity. The material progress made in this stage has been surprisingly good—almost amazing. This is indicated by the figures of exports and imports, and by earnings of railways, public utility companies and industrial concerns. The question of full pacification of the country is interlocked with problems of government finance, rehabilitation of the banking system, international relations and internal politics.

Mexico's relations with other countries, aside from questions involving the protection of life and property, have an important bearing on her own internal development. A situation which from time to time threatens foreign intervention involves so much uncertainty as to retard the stabilizing of affairs. Moreover, this uncertainty greatly encourages those who are opposed to the government. Most important of all, any feeling of uncertainty prevents obtaining the money needed for reconstruction purposes. Mexican problems seem to go around in a circle. Foreign opposition cuts off a supply of money badly needed for public and private purposes; without money operation of the great agricultural properties cannot be resumed; without such resumption there is no work for thousands of people; this in turn results in a continuation of disorder and creates a lack of confidence in the ability of the government to handle the situation. Economic conditions cannot be fully stabilized until a banking system is created to take care of the ordinary needs of the country. The existing banks can do nothing because their assets are largely tied

up in properties which are producing nothing. The government cannot get money for a new banking system because of the lack of confidence. The various complications in foreign relations develop a generally hostile attitude on the part of foreign governments.

This appears to be a pessimistic picture. Actually, it is surprising that the situation is not much worse than it is. The amazing recuperative power of the country has been shown by the recovery to semi-normal conditions from a state of chaos three years ago. Exports and imports are higher than ever before, railway earnings are forty per cent higher than during the Diaz régime, government income is considerably higher than ever, and the country, after several years of suffering under a depreciated paper currency, is back on a gold-and-silver currency basis. Under the Carranza régime, while those best informed felt that the leaders of the movement were honest and patriotic, there is no question that a fearful amount of graft existed. Many have tried to paint all revolutionary movements in Mexico as nothing more than factional fights to control the national treasury. In this view I cannot agree, as it seems quite clear that, in spite of elements of personal greed, there was, in the Carranza régime, and there is under the latest revolt, a sincere desire to do something constructive for the country—something to elevate the status of the mass of the people. The country, ill-prepared as it was for anything like a democratic form of government, suffered through the opportunity given to a horde of greedy petty chiefs. The new government will doubtless learn that many of the unscrupulous have not, in changing their political clothing, made any change in their selfish motives. Graft may be expected, almost as a matter of course, but it must be checked and eventually eliminated if anything tangible is to come of the whole liberal movement in Mexico. So long as graft exists on a large scale there will be, both internally and externally, a lack of confidence in Mexico. A Mexican friend of mine observed some months ago that under Diaz graft was a monopoly, controlled by a small ring, but that it had been “democratized,” and everyone

had a chance. This sort of feeling goes a long way to convince public opinion, both in Mexico and the United States, that the Mexican situation is well-nigh hopeless, and that nothing but a strong dictatorship, or outside intervention, will set up a government capable of handling affairs. It seems vital that the new government should, through securing the support of all intelligent classes in Mexico, make every endeavor to eliminate the grafting element. There are, fortunately, strong indications that the new government will secure the active support of many of the old conservative element in Mexico—an element at first opposed to any reforms but now convinced that any return to the old form of government is out of the question.

If foreign relations can be straightened out another step will have been taken toward getting everything in order. The general question of these relations may be subdivided under five heads: arrangements to avoid border troubles; protection for the lives of Americans and other foreigners resident in Mexico; claims for loss of life or damage to properties during the revolution; treatment of foreign capital invested in Mexico; and the controversy over the Mexican oil fields.

The question of border troubles is a part of the general problem of a complete pacification of the country. The large rebel bands in the Northern part of Mexico have been pretty well broken up, and in a large part of the territory conditions are good, or fairly good. Some Americans claim that the Mexican military do not want peaceful conditions restored, as they can, while any disorder exists, impose on the public. There are many cases of abuse on the part of unscrupulous military officials. It seems quite idle, however, to say that the military as a whole make no serious effort to restore peaceful conditions. The relative prosperity of the country, as compared with conditions two years ago, is proof that the government has been working steadily for pacification. If the government had a thoroughly organized and well equipped army the program of pacification would go on at a higher rate of speed. The

army sprung into existence during the revolution, and, generally speaking, was officered by men who knew little of organization or discipline. It is only within the past year that much has been done toward the development of efficient military standards. Many officers are unruly, and in certain sections there is much reason for complaint. However, there appears to be some improvement, and a realization, which scarcely existed before, that a central authority must be reckoned with.

It seems essential, in connection with maintenance of order along the border (and in other sections of the country) that the government should organize a strong force of light-cavalry to act as rural police—a force similar to the old *rurales*. Such a force, supported by scouting airplanes, would soon suppress the operations of bandits of any size, and would greatly reduce the chance of raids across the line. It would also result in greater security of life all over the country. The government is undoubtedly making efforts to protect the lives of foreigners, and there has been in the past two years, a marked diminution in attacks against the person. During the chaotic conditions prevailing in 1914, 1915, and 1916 many lives were lost, but the outrages in the past year have been few in number and generally in territory remote from regular control. Every American living in Mexico has a pretty fair idea of where it is safe to go, and where his chances of getting into trouble or danger are above the average. If he deliberately goes into dangerous zones he is partly responsible for any trouble he may get into. The question of whether Mexico should be in perfect order is quite another matter. The purpose of these statements is not to exonerate the Mexican government of its responsibility for the protection of the lives of foreigners, nor to minimize the liability of the American government in the matter, but rather to present the facts as they are. Whether the Mexican government is doing all that could be done to pacify the country thoroughly and thereby make it safe for foreigners and natives alike is a matter subject to discussion. That the government has done much in this direction is certain. It also seems certain

that with money and with more efficient organization pacification could be considerably speeded up. The question of foreign claims for loss of life or damage to property during the revolution is properly one for mixed claims commissions. The Mexican government some months ago named a commission to investigate claims and make awards. Few foreign claims have been filed with this commission. Alien claimants naturally do not want to submit claims to a commission named by the government against which the claims are made. Doubtless a mixed commission will soon be formed to deal with the question.

With the exception of the railway investment the large units of capital in Mexico suffered comparatively little damage during the revolution. Properties of the large mining, public utility, oil and industrial companies came through with little or no physical damage. The oil companies have prospered throughout. Many other properties suffered through loss of revenue because their receipts were depreciated in paper money. Others were obliged to shut down at times because of demoralized conditions. The smaller properties fared worse. Many ranches, farms and plantations lost heavily through raids, cattle and livestock being driven off and everything portable being carried away. Many small mines, located in remote districts, were abandoned by their owners. Some of these properties have resumed operations, but many located in out-of-the-way places are still closed down. The railroads suffered very badly. Stations were burned, bridges destroyed and rolling stock wrecked. For a long time earnings were in paper money and barely sufficient to pay running expenses, so that there was heavy depreciation of track and equipment. All the railways are four or five years in arrears on bond interest. The situation is all the more difficult because with one or two exceptions, the railway companies were in a weak financial position before the revolution broke out. The National Railways Company, owning two-thirds of the mileage in Mexico, has capital liabilities, bonds, stock and accrued interest amounting to \$500,000,000, with gross earnings of only \$40,000,000. The highest net earnings

before the revolution were slightly over \$10,000,000, or at a rate of about 2 per cent on the present capital liability. The complete demoralization during the upheaval in Mexico is clearly shown by the fact that receipts of the system, reduced to American currency, fell from an average of \$2,500,000 to less than \$100,000 in January, 1915. The earnings have increased very rapidly during the past two years, and now exceed pre-revolution figures. Wages and other expenses are, however, higher than formerly, and a deficit is certain for some time.

The Mexican government is in arrears on the national debt, but the prospects of resumption of payments are good. The total national debt, including accrued interest on various loans, damages payable to railways, and loans from banks, is about \$500,000,000, calling roughly for \$25,000,000 of interest annually. The present government revenue is at a rate of \$90,000,000, which, were it not for heavy expenses of a large army needed to restore order, would be ample to cover ordinary expenses and interest charges. An increase of 30 per cent in income will put the government in a position to meet all its obligations. Naturally, every property placed in production means a step nearer to this position.

It goes without saying that a situation which involved so much material loss for so many people—owners of properties or holders of government, railway or corporate securities, created many enmities. Foreigners in Mexico, generally speaking, were hostile to the revolutionary movement. With the improvement in conditions many have modified their views, but their attitude collectively has in the past been such as to increase friction in international relations. Another cause for friction was the greatly exaggerated impression held by Mexicans as to the amount of profits reaped by foreign investments in Mexico. A single case may be cited on this point. An article in a leading American periodical a few months ago, written in a sympathetic spirit, noted incidentally, and as evidence of good conditions, that one silver mine is shipping \$15,000,000 of bullion monthly. This would be at a rate of \$180,000,000 a year,

when, as a matter of fact, Mexico's total silver production this year, from all mines, will not reach \$100,000,000.

The controversy over the Mexican oil fields is a complicated affair. Foreign interests control practically all the developed territory. The rights of these companies to exploit their lands are quite clear, and the efforts of the Carranza government to annul such rights were based, not on legal grounds, but largely on questions of public policy. The Mexican oil fields have potential possibilities of yielding a billion barrels of oil annually, an amount far in excess of any other fields in the world. The government has feared that the control of such vast resources by a few foreign companies would be detrimental to national interests, and has endeavored to curb the development of the industry under such control. It seems as if some suitable arrangement could be reached by which the companies interested could go ahead with their program of development, the government retaining a reasonable control, through proper regulations, of the industry. Mexico lacks the capital to develop her natural resources, and should encourage foreign capital. She should, however, take precautions to prevent such capital becoming a dominant factor in her internal affairs. The attitude of the Mexican government in the oil controversy has been a narrow one. On the other hand, the collective attitude of the oil interests has not been one calculated to assist in any permanent and satisfactory settlement of the question.

Summarized, the immediate problems to be met are:

1. Rehabilitation of railways.
2. Resumption of agricultural activities.
3. Creation of a banking system.
4. Policing of rural districts.
5. Securing support of intelligent people of all factions.
6. Elimination of graft.
7. Reorganization of national debt on basis of partial payment of interest, with full payment later.
8. Settlement of foreign claims.
9. Settlement of oil controversy.
10. Modification of certain impractical features of the Constitution.

11. Restoration of full civil government throughout the country.

12. Efficient reorganization of army.

Co-incident with measures to meet these problems the government should study other problems of great importance. Of these the most important are the extension of popular education, the creation of a large class of small land-owners, the extension of transportation system to assist in a full development of agricultural and other resources, a general reform in the system of taxation, and a reform in the political system to establish the beginning of a representative form of government. Much has been accomplished in ten years in the creation of public opinion and the development of popular thought. Much more can be accomplished by patriotic and sincere effort to create a stable government. If all interested give unselfish devotion to their country the program of reconstruction will go forward steadily and surely, and the progress will leave no excuse for any outside interference in Mexico's future.